

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF WAKEFIELD
WAKEFIELD, MICHIGAN**

March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF WAKEFIELD	County GOGEBIC
Audit Date MARCH 31, 2006	Opinion Date JULY 31, 2006	Date Accountant Report Submitted to State: AUGUST 29, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

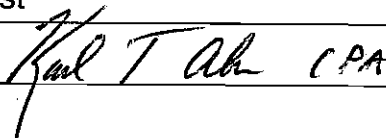
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Joki, Makela & Pollack, PLLC			
Street Address 301 N Suffolk St	City Ironwood	State MI	ZIP 49938
Accountant Signature 		Date 8-29-06	

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with *Government Auditing Standards* A-1

Schedule of Findings B-1

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Wakefield
Wakefield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Wakefield as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements of Township of Wakefield, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Wakefield as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 31, 2006, on our consideration of Township of Wakefield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 13 and pages 40 and 41, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Wakefield's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 31, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF WAKEFIELD

Year ended March 31, 2006

Management's Discussion and Analysis

This section of the Township of Wakefield's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2006.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes, charges for services and by federal and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets (deficit) of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Special Revenue Fund and Water Fund. The Capital Project fund is a nonmajor fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Fiduciary funds are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds. Fiduciary funds include the Trust and Agency Fund and the Tax Collection Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following are condensed statements of net assets with a detailed analysis of the statements below.

	<u>March 31, 2006</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
ASSETS		
Current Assets:		
Cash	\$ 220,802	\$ 33,035
Investments	70,385	
Receivables	15,435	21,147
Due from other funds	21,076	
Prepaid expenses	<u>1,553</u>	<u></u>
Total Current Assets	\$ 329,251	\$ 54,182
Noncurrent Assets:		
Due from other funds	\$ 43,000	
Capital assets, net of accumulated depreciation	<u>902,102</u>	<u>\$ 23,000</u>
	<u>\$ 945,102</u>	<u>\$ 23,000</u>
Total Assets	<u>\$ 1,274,353</u>	<u>\$ 77,182</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,168	\$ 7,953
Due other funds		16,000
Other current liabilities	5,571	
Current portion of long term liabilities	<u>21,000</u>	<u>287</u>
Total Current Liabilities	\$ 28,739	\$ 24,240
Long-term liabilities, net of current portion	<u>477,779</u>	<u>43,000</u>
Total Liabilities	<u>\$ 506,518</u>	<u>\$ 67,240</u>
NET ASSETS		
Investment in capital assets, net of related debt	\$ 402,449	
Unrestricted	<u>365,386</u>	<u>\$ 9,942</u>
Total Net Assets	<u>\$ 767,835</u>	<u>\$ 9,942</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

	<u>March 31, 2005</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
ASSETS		
Current Assets:		
Cash	\$ 184,260	\$ 28,877
Investments	119,211	
Receivables	29,550	21,516
Due from other funds	9,161	
Prepaid expenses	<u>4,404</u>	<u> </u>
Total Current Assets	\$ 346,586	\$ 50,393
Noncurrent Assets:		
Due from other funds	\$ 48,000	
Capital assets, net of accumulated depreciation	<u>929,347</u>	<u> </u>
	\$ 977,347	<u> </u>
Total Assets	<u>\$ 1,323,933</u>	<u>\$ 50,393</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 4,567	\$ 5,856
Due other funds		4,000
Other current liabilities	<u>8,874</u>	<u>287</u>
Total Current Liabilities	\$ 13,441	\$ 10,143
Long-term liabilities, net of current portion	<u>548,997</u>	<u>48,000</u>
Total Liabilities	<u>\$ 562,438</u>	<u>\$ 58,143</u>
NET ASSETS (DEFICIT)		
Investment in capital assets, net of related debt	\$ 375,596	
Unrestricted	<u>385,899</u>	<u>\$ (7,750)</u>
Total Net Assets (Deficit)	<u>\$ 761,495</u>	<u>\$ (7,750)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Assets (Continued)

The Township's total net assets are \$777,777 and \$753,745 at March 31, 2006 and 2005, respectively. Capital assets, net of related debt are \$402,449 and \$375,596 at March 31, 2006 and 2005, respectively. This figure is derived by taking the original cost of the Township's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

The total unrestricted net assets are \$375,328 and \$378,419 as of March 31, 2006 and 2005, respectively. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities.

The Water fund reports unrestricted net assets of \$9,942 at March 31, 2006. The Water fund reported a deficit of \$7,750 at March 31, 2005. The Township implemented a deficit elimination plan in prior years and eliminated the deficit during the March 31, 2006 year-end.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. The statements below report the changes in net assets for the fiscal year.

		<u>Year ended March 31, 2006</u>	
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenue:			
Program Revenues:			
Charges for services	\$	5,016	\$ 73,055
Operating grants and contributions		1,981	
General Revenues:			
Property Taxes		154,361	
State and federal grants		35,876	
Other		7,671	416
	Total Revenue	<u>\$ 204,905</u>	<u>\$ 73,471</u>
Program expenses:			
Governmental activities	\$	198,565	
Business-type activities			\$ 55,779
	Increase in Net Assets	<u>\$ 6,340</u>	<u>\$ 17,692</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

	<u>Year ended March 31, 2005</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenue:		
Program Revenues:		
Charges for services	\$ 5,707	\$ 65,964
Operating grants and contributions	2,761	
Capital grants and contributions	1,000	
General Revenues:		
Property Taxes	147,660	
State and federal grants	34,425	
Other	4,595	240
Total Revenue	<u>\$ 196,148</u>	<u>\$ 66,204</u>
Program expenses:		
Governmental activities	\$ 274,273	
Business-type activities		\$ 48,419
Increase (Decrease) in Net Assets	<u>\$ (78,125)</u>	<u>\$ 17,785</u>

The Township had an overall increase in net assets of \$24,032 for the year ended March 31, 2006, consisting of an increase in governmental activities of \$6,340 and an increase in business-type activities of \$18,017. The Township had an overall decrease in net assets of \$60,340 for the year ended March 31, 2005, consisting of a decrease in governmental activities of \$78,125 and an increase in business-type activities of \$17,785. Depreciation expense of \$25,245 and \$51,370 was charged to governmental activities for the year ended March 31, 2006 and 2005, respectively. The reason for the decrease was a change in the depreciable life of the renaissance zone building.

The Township's total revenues were \$278,376 and \$262,352 for the years ended March 31, 2006 and 2005 respectively. The increase in revenues was due to additional water fund revenues collected to help eliminate the deficit the Water Fund was in at March 31, 2005.

The Township's total cost to fund governmental activities was \$198,565, and business-type activities was \$55,779 for the year ended March 31, 2006. The Township's total cost to fund governmental activities was \$274,273, and business-type activities was \$48,419 for the year ended March 31, 2005. The amount to fund governmental activities was reduced by approximately \$75,000 due to the following; (a) construction and maintenance of roads was zero compared to \$23,000 last year; (b) health insurance for officials of the Township was dropped during the year and replaced with a medical expense reimbursement plan reducing that cost by \$14,000; (c) there were no expenses for capital outlay for the current year compared to \$15,000 for the prior year and (d) a reduction in depreciation of \$25,000 due to the change in depreciable lives.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Activities (Continued)

A majority of these costs were funded by property taxes, charges for services and state grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the Township revised its original General Fund budget and Special Revenue Fund budget several times to account for changes in expenditures. A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report. Major amendments to the budgets included an operating transfer out of the General Fund to the Special revenue Fund in the amount of \$50,000 for debt service expenditures.

Capital Assets

At March 31, 2006, the Township had \$902,102 invested in capital assets, net of accumulated depreciation. Governmental activities reported a cost of \$1,483,011 at March 31, 2006 with accumulated depreciation of \$580,909. Governmental activities reported no additions, subtractions of \$2,000 due to the sale of land in the renaissance zone, and depreciation charges of \$25,245 during the current year. The business-type activities increased \$23,000 to account for engineering costs capitalized as part of an ongoing water improvement project. No depreciation was taken on the additional amount capitalized, as the improvements are not in operation at March 31, 2006.

Debt

The Township had \$498,779 of long-term liabilities at March 31, 2006 compared to \$548,997 of long-term liabilities at March 31, 2005. The reduction included principal of \$50,218 paid on various notes payable related to economic development projects with the State of Michigan and other local non-profit and governmental agencies. Detail of the notes can be found in Note G to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Future Considerations

The Township has adopted a balanced budget for the upcoming fiscal year that should not over expend its funding and leave the Township with a positive Fund Balance. The Water Fund continues to generate a positive cash flow that allowed the Township to set-up a separate cash account for future repairs and maintenance of the water utility system during the past fiscal year. Although the Water Fund made payments of \$16,000 on the promissory note to reimburse the General Fund for prior year advances, an additional liability of \$23,000 was incurred by the Water Fund for payments made in past years by the General Fund. The General Fund paid into the Indianhead/Anvil water project engineering study submitted to Rural Development by the Gogebic Range Water Authority. These funds will be repaid by the water users, when and if the Township decides to commit to the loan process through Rural Development. The Board currently is looking at several options before committing to a loan, grant or combination of the two. It is the desire of the Board to transfer the responsibility of the water system to the Gogebic Range Water Authority. The Gogebic Range Water Authority agreed to accept that responsibility when several improvements are made to the system to meet basic standards.

The Township has engaged extensively in marketing the speculation building located in the Renaissance zone. Due to the lagging Michigan economy, the Township has been unable to locate a tenant for the building.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Wakefield, P.O. Box 164, Wakefield, MI 49968; telephone number (906) 224-8551 or our website at www.wakefieldtownship.com.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2006

	Governmental Activities	Business-Type Activities
ASSETS		
Current Assets:		
Cash	\$ 220,802	\$ 33,035
Investments	70,385	
Receivables:		
Delinquent property taxes	15,435	
Accounts		21,147
Due from other funds	21,076	
Prepaid expenses	<u>1,553</u>	
Total Current Assets	\$ 329,251	\$ 54,182
Noncurrent Assets:		
Due from other funds	\$ 43,000	
Capital assets, net of accumulated depreciation	<u>902,102</u>	<u>\$ 23,000</u>
	<u>\$ 945,102</u>	<u>\$ 23,000</u>
Total Assets	<u>\$ 1,274,353</u>	<u>\$ 77,182</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 2,168	\$ 7,953
Accrued wages and payroll taxes	4,697	287
Accrued interest	874	
Current portion of loans payable	21,000	
Due other funds		<u>16,000</u>
Total Current Liabilities	\$ 28,739	\$ 24,240
Long-term liabilities:		
Due other funds		\$ 43,000
Loans payable, less current portion	<u>\$ 477,779</u>	
	<u>\$ 477,779</u>	<u>\$ 43,000</u>
Total Liabilities	<u>\$ 506,518</u>	<u>\$ 67,240</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 402,449	
Unrestricted	<u>365,386</u>	<u>\$ 9,942</u>
Total Net Assets	<u>\$ 767,835</u>	<u>\$ 9,942</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT
TOWNSHIP OF
Year ended

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Legislative	\$ 7,505		
General government	65,315	\$ 3,504	\$ 1,981
Public safety	9,855	1,512	
Public works	42,481		
Parks and recreation	3,450		
Economic development	30,443		
Other functions	38,421		
Depreciation - unallocated	<u>1,095</u>		
Total Governmental Activities	\$ 198,565	\$ 5,016	\$ 1,981
Business-type activities - Water fund	<u>55,779</u>	<u>73,055</u>	
Total	<u>\$ 254,344</u>	<u>\$ 78,071</u>	<u>\$ 1,981</u>

General revenues:

 Taxes
 State and federal grants
 Interest and rents

Total General Revenues

Change in Net Assets

Net assets (deficit) at April 1, 2005

Net assets at March 31, 2006

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

WAKEFIELD, MICHIGAN

March 31, 2006

<u>Net (Expense) Revenue and</u> <u>Changes in Net Assets</u>		
Governmental	Business-type	Total
Activities	Activities	
\$ (7,505)		\$ (7,505)
(59,830)		(59,830)
(8,343)		(8,343)
(42,481)		(42,481)
(3,450)		(3,450)
(30,443)		(30,443)
(38,421)		(38,421)
<u>(1,095)</u>		<u>(1,095)</u>
\$ (191,568)		\$ (191,568)
	\$ 17,276	<u>17,276</u>
\$ (191,568)	\$ 17,276	\$ (174,292)
\$ 154,361		\$ 154,361
35,876		35,876
<u>7,671</u>	\$ 416	<u>8,087</u>
\$ 197,908	\$ 416	\$ 198,324
\$ 6,340	\$ 17,692	\$ 24,032
<u>761,495</u>	<u>(7,750)</u>	<u>753,745</u>
<u>\$ 767,835</u>	<u>\$ 9,942</u>	<u>\$ 777,777</u>

BALANCE SHEET - GOVERNMENTAL FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2006

	General	Special Revenue	Capital Project	Totals Governmental Funds
ASSETS				
Cash	\$ 171,876	\$ 30,795	\$ 18,131	\$ 220,802
Investments	70,385			70,385
Delinquent property taxes receivable	15,435			15,435
Due from other funds	64,076			64,076
Prepaid expenses	<u>1,553</u>			<u>1,553</u>
	<u>\$ 323,325</u>	<u>\$ 30,795</u>	<u>\$ 18,131</u>	<u>\$ 372,251</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 2,119	\$ 49		\$ 2,168
Accrued wages and payroll taxes	<u>4,697</u>			<u>4,697</u>
Total Liabilities	\$ 6,816	\$ 49		\$ 6,865
Fund equity:				
Fund balances:				
Reserved:				
For prepaid expenses	\$ 1,553			\$ 1,553
For long-term receivable	43,000			43,000
For construction			\$ 18,131	18,131
Designated by board	85,000			85,000
Unreserved	<u>186,956</u>	<u>\$ 30,746</u>		<u>217,702</u>
Total Fund Equity	<u>\$ 316,509</u>	<u>\$ 30,746</u>	<u>\$ 18,131</u>	<u>\$ 365,386</u>
	<u>\$ 323,325</u>	<u>\$ 30,795</u>	<u>\$ 18,131</u>	<u>\$ 372,251</u>

The accompanying notes are an integral part of the
financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2006

Total fund equity of governmental activities	\$	365,386
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

Cost of capital assets	\$	1,483,011	
Accumulated depreciation		<u>(580,909)</u>	902,102

Reductions:

Long-term liabilities are not due and payable in the current period and therefore
not reported as liabilities in the funds.

Note payable to:

Michigan Job Commission	\$	42,750	
Michigan Strategic Fund		426,250	
Forward Wakefield		<u>29,779</u>	(498,779)

Accrued interest payable is not included as a liability in governmental activities		<u>(874)</u>
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Total net assets of governmental activities	\$	<u>767,835</u>
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The accompanying notes are an integral part of the
financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

	General	Special Revenue	Capital Project	Total Governmental Funds
Revenues:				
Taxes	\$ 154,361			\$ 154,361
Licenses and permits	1,512			1,512
Federal grants	7,274			7,274
State grants	28,602			28,602
Charges for services	3,504			3,504
Interest and rents	7,235	\$ 436		7,671
Other revenues	<u>1,315</u>	<u>666</u>		<u>1,981</u>
TOTAL REVENUES	\$ 203,803	\$ 1,102	\$ 0	\$ 204,905
Expenditures:				
Current:				
Legislative	\$ 7,505			\$ 7,505
General government	65,315			65,315
Public safety	9,855			9,855
Public works	42,481			42,481
Parks and recreation	3,450			3,450
Economic development		\$ 2,141		2,141
Other	38,421			38,421
Debt Service:				
Principal		50,218		50,218
Interest		<u>8,032</u>		<u>8,032</u>
TOTAL EXPENDITURES	\$ 167,027	\$ 60,391	\$ 0	\$ 227,418
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 36,776	\$ (59,289)	\$ 0	\$ (22,513)
OTHER FINANCING SOURCES (USES)				
Operating transfer in (out)	\$ (50,000)	\$ 50,000		
Proceeds from sale of land		<u>2,000</u>		<u>\$ 2,000</u>
	<u>\$ (50,000)</u>	<u>\$ 52,000</u>		<u>\$ 2,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (13,224)	\$ (7,289)	\$ 0	\$ (20,513)
Fund balance at April 1, 2005	<u>329,733</u>	<u>38,035</u>	<u>18,131</u>	<u>385,899</u>
FUND BALANCE AT MARCH 31, 2006	\$ 316,509	\$ 30,746	\$ 18,131	\$ 365,386

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2006

Total net change in fund balances - governmental funds	\$ (20,513)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$ 0	
Depreciation expense	<u>(25,245)</u>	(25,245)

Repayment of loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not effect the statement of activities.	50,218
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Interest on long-term liabilities in the statement of activities is recorded as an expense as the interest is incurred. In the governmental funds, interest is recorded as an expenditure in the funds when it is paid. Interest recorded in the statement of activities is less due to the change in accrued interest from the prior year.	3,880
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Proceeds from the sale of assets is recorded as an other financing source in the year of sale for governmental funds. In the statement of activities, the difference between the sales proceeds and the net book value of the asset sold is recorded as a gain or loss.	
Proceeds from the sale of land equalled the net book value of the land.	<u>(2,000)</u>

Change in net assets of governmental activities	<u>\$ 6,340</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT) -
PROPRIETARY FUND - WATER FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

Operating revenue -		
Charges for services	\$	73,055
Operating expenses:		
Water purchases	\$	33,538
Materials and supplies		132
Auto expense		12
Repairs and maintenance		4,950
GRWA contributions		5,740
Utilities		<u>7,884</u>
		52,256
Administrative expenses:		
Salary and wages	\$	1,136
Payroll taxes		87
Office supplies		134
Professional fees		1,350
Dues and fees		<u>491</u>
		<u>3,198</u>
		\$ 55,454
	OPERATING INCOME	\$ 17,601
Nonoperating revenue (expenses):		
Interest earned	\$	416
Debt service - interest		<u>(325)</u>
		91
	CHANGE IN NET ASSETS	\$ 17,692
Net assets (deficit) at April 1, 2005		<u>(7,750)</u>
	NET ASSETS AT MARCH 31, 2006	<u>\$ 9,942</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -
WATER FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

Cash flows from operating activities:		
Cash received from customers	\$	73,424
Cash paid to suppliers and employees for goods and services		<u>(53,357)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	20,067
Cash flows from noncapital financing activities:		
Repayment of advance from other fund	\$	(16,000)
Interest paid on advance from other fund		<u>(325)</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	\$	(16,325)
Cash flows from investing activities - interest earned		<u>416</u>
	NET INCREASE IN CASH	\$ 4,158
Cash at April 1, 2005		<u>28,877</u>
	CASH AT MARCH 31, 2006	<u>\$ 33,035</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	17,601
Adjustment to reconcile operating income to net cash provided by operating activities:		
Decrease in customer accounts receivable	\$	369
Increase in accounts payable		<u>2,097</u>
		<u>2,466</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>20,067</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$	325
Noncash capital and related financing activities:		
Capitalized engineering costs financed by amount due to other fund	\$	23,000

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2006

ASSET	
Cash in bank	<u>\$ 54,691</u>
LIABILITIES	
Due General Fund	\$ 5,076
Due State of Michigan	33,319
Due Gogebic County	10,549
Due to schools	<u>5,747</u>
	<u>\$ 54,691</u>

The accompanying notes are an integral part
of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Wakefield operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial-reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included as a component unit in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. The Township General Fund, Special Revenue Fund and Capital Project Fund are considered to be governmental activities and its enterprise fund a business-type activity. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund, Special Revenue Fund and Water Fund as major funds. The Capital Project Fund is a nonmajor fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fund-based Financial Statements (Continued)

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Special Revenue Fund - is used by the Township to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Township has one special revenue fund which is used to account for financial resources from the lease and sale of a building the Township constructed with grant and local funding located in a renaissance zone of the Township as established by the State of Michigan.

Capital Project Fund – is used to account for financial resources to be used for a building and infrastructure improvements in the renaissance zone funded by a Community Development Block Grant through the Michigan Economic Development Corporation including the local match required.

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges and include the Enterprise Fund.

Enterprise Fund – Water Fund is used to account for operations that provide water services, in a manner similar to private business enterprises, where the intent of the Township is that the expenses of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. These include the Trust and Agency and Tax Collection fund. These funds are custodial in nature and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Township applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. Legal budgets are adopted for the General Fund and Special Revenue Fund. The budgets are adopted on the same basis of accounting as is used to reflect actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Township Board, budgetary transfers between departments can be made. The budgeted financial statements represented in this report reflect the final budget authorization and all budget amendments approved by the Board during the year. Budgets are adopted on the functional level and lapse at the end of the year.

Investments

Investments include certificates of deposit in local financial institutions with maturity dates greater than 90 days and are stated at fair market value, which is equal to cost.

Receivables

Credit is extended to customers of the Water Fund. All receivables are reported at their gross values. No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are nominal.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township had no restricted net assets at March 31, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, and infrastructure assets and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$5,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	30-50 years
Office furniture, fixtures and equipment	5-20 years
Infrastructure	20-50 years

Long-Term Liabilities

The Township reports the financing proceeds of infrastructure improvements as provided by the Community Development Block Grant program through the State of Michigan and a loan payable to a non-profit corporation in the government-wide financial statements as liabilities of the governmental activities.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations. The reserved fund equity for governmental funds represents amounts reserved for specific purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as revenue as collections are made; when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a Township must amend its budget if it becomes apparent that the Township's actual revenues will deviate from those budgeted, or if the Township's expenditures will exceed the amounts appropriated. During the year ended March 31, 2006, the Township monitored and amended its budget and was in substantial compliance with the Act.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - CASH

All deposits were made either in banks insured by federal depository insurance or in a local credit union insured by the national credit union administration. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2006, total cash as reported by banks and credit union amounted to \$309,262. \$196,953 was covered by depository insurance, and \$112,309 exceeded coverage limits.

NOTE D - ACCOUNTS RECEIVABLE

Proprietary fund accounts receivable at March 31, 2006, consisted of customer accounts receivable for water services and totaled \$21,147.

NOTE E - PROPERTY TAXES

One taxpayer accounts for approximately 39 percent of the assessed valuation and tax levy of the Township.

Costs incurred for administrative costs in assessing and collecting property taxes exceeded receipts from charging the property tax administrative fee.

A summary of the 2005 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
Intermediate School District	3.3401	\$ 94,361	\$ 9,640	\$ 84,721
County	10.9431	309,117	35,179	273,938
State Education Tax	6.0000	169,162	17,332	151,830
School	20.6200	485,824	16,647	469,177
Township	<u>4.5050</u>	<u>127,015</u>	<u>15,435</u>	<u>111,580</u>
TOTALS	<u>45.4082</u>	<u>\$ 1,185,479</u>	<u>\$ 94,233</u>	<u>\$ 1,091,246</u>
Taxable valuation:				
Homestead				\$ 5,414,460
Non-homestead				23,514,763
Renaissance zone				<u>734,961</u>
				<u>\$ 29,664,184</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2006:

	Balance at April 1, 2005	Additions	Disposals	Balance at March 31, 2006
<u>Governmental Activities</u>				
Assets:				
Land	\$ 213,620		\$ 2,000	\$ 211,620
Buildings and improvements	1,243,620			1,243,620
Office furniture, fixtures and equipment	27,771			27,771
	\$1,485,011	\$ 0	\$ 2,000	\$1,483,011
Less accumulated depreciation	555,664	25,245		580,909
Net	\$ 929,347	\$ (25,245)	\$ 2,000	\$ 902,102
<u>Business-type Activities</u>				
Water Fund:				
Water distribution system	\$ 689,000	\$ 23,000		\$ 712,000
Less accumulated depreciation	689,000			689,000
Net	\$ 0	\$ 23,000	\$ 0	\$ 23,000
TOTAL GOVERNMENT	\$ 929,347	\$ (2,245)	\$ 2,000	\$ 925,102

Depreciation expense of \$24,150 is charged to economic development activities and \$1,095 is unallocated.

NOTE G – LONG-TERM LIABILITIES

The loan from Michigan Job Commission, Community Development Block Grant (CDBG) funds, dated June 1998 for infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of zero percent and requires quarterly payments of \$750 beginning on September 1, 2005. The loan period is 15 years with final payment scheduled for June 1, 2020. Three payments totaling \$2,250 were paid as required for the year ended March 31, 2006.

The loan from Michigan Strategic Fund, CDBG Funds, dated August 2002 for additional infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of zero percent and requires no payments for first two years. Up to 100% of the loan may be forgiven at the rate of \$10,000 per job created. The loan period is ten years. The term of the project is from August 1, 2002 to July 31, 2007.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM LIABILITIES (CONTINUED)

The loan from Forward Wakefield, dated January 2003 to provide local matching dollars for the latest Renaissance Zone Industrial Park building, bears an interest rate of 6.9% and requires monthly payments of principal only in the amount of \$1,500 beginning in December of 2005 with final payment scheduled for November 2007 at which time all accrued interest on the loan is due. Principal payments of \$47,968 and an interest payment of \$8,032 were made on this loan during the year ended March 31, 2006.

The Township commitments under these loans are further explained in Note M to the financial statements. Because the Township is unsure of the payment requirements on the Michigan Strategic Fund loan, the 5-year schedule of debt payments to maturity does not include this loan.

Following is a summary of changes in long-term liabilities during the year ended March 31, 2006:

	Balance at April 1, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance at March 31, <u>2006</u>	<u>Current portion</u>
General Long Term Debt: (see Note M)					
Loan from Michigan Job Commission	\$ 45,000		\$ 2,250	\$ 42,750	\$ 3,000
Loan from Michigan Strategic Fund	426,250			426,250	
Loan from Forward Wakefield	<u>77,747</u>		<u>47,968</u>	<u>29,779</u>	<u>18,000</u>
	<u>\$ 548,997</u>	<u>\$ 0</u>	<u>\$ 50,218</u>	<u>\$ 498,779</u>	<u>\$ 21,000</u>

All future principal and interest payments will be made by the General Fund or Special Revenue Fund as funds permit.

The aggregate amounts of long-term debt principal and interest maturities (excluding the loan from Michigan Strategic Fund) for the five years ending March 31, 2011, and in five-year increments after until maturity are:

2007	\$21,000
2008	14,779
2009	3,000
2010	3,000
2011	3,000
2012-2016	15,000
2017-2021	12,750

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2006, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 64,076	Tax Collection Water Fund	\$ 5,076
			<u>59,000</u>
	<u>\$ 64,076</u>		<u>\$ 64,076</u>

NOTE I - FUND BALANCE RESERVES AND DESIGNATIONS

The General Fund, fund balance at March 31, 2006, included a reserve for prepaid expenses of \$1,553 and a long-term receivable from the Water Fund of \$43,000.

The Board has designated \$85,000 of General Fund, fund balance to be used for future economic development or debt service.

The Capital Project Fund, fund balance included a reserve of \$18,131 to be used for final construction costs related to the building constructed in a Renaissance Zone Industrial Park.

NOTE J - STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2006, the Township collected construction code service fees of \$1,512 and spent over the amount collected for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township has one enterprise fund which provides a water supply system to a portion of the Township's residential and commercial customers. Segment information not reported on in the financial statements for the year ended March 31, 2006, follows:

	<u>Water Supply</u>
Restricted donations and operating grants	\$ 0
Operating transfers in (out)	0
Tax revenues	0
Current capital contributions	0
Utility plant:	
Additions	23,000
Deletions	0
Net working capital	9,942
Long-term debt - payable from operating revenues (including portion payable within one year)	0

NOTE L - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2006, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M -- COMMITMENTS

1998 Agreement

On June 1, 1998, the Township and Gogebic County entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in the Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

The State offset monies it advanced under the agreement via application of a formula that provided for a \$20,000 reduction for each qualifying new job created, subject to a minimum repayment of 10% of the total financing agreement, or \$45,000. The \$45,000 became a liability of both the Township and Gogebic County on May 31, 2005. See Note G for detail of the repayment terms. The Township and Gogebic County have each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for the loan. The Township has committed to reimbursing the County for any County liability incurred.

2002 Agreement

On August 1, 2002, the Township entered into a \$426,250 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 100% of the monies needed to design, develop, improve and install infrastructure in a State designated Renaissance Zone in the Township. The agreement was funded with a \$426,250 Community Development Block Grant administered by Michigan Strategic Fund.

The State will offset any monies it advances under the agreement via application of a formula that provides for a \$10,000 reduction for up to 100% of the advances for each qualifying new job created. Any shortfall will become a liability of the Township at July 31, 2007, which is the end of the project.

A repayment schedule will be determined by the State at that time if necessary. The Township has pledged all payments that are eligible under 1971 PA 140 as collateral for any monies not offset by new job creation.

The Township has recorded the full amount of advances of \$426,250 as a long-term liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COMMITMENTS (CONTINUED)

Loan Payable to Forward Wakefield

The Township allowed their agent, Forward Wakefield (a nonprofit Michigan corporation) to secure the permanent financing of an industrial building construction loan (dated January 22, 2003) in the amount of \$291,239 to provide local dollars to match the latest project undertaken. The building is pledged as collateral for the loan. The Township has committed to relieving the debt although no formal written agreement exists between the Township and Forward Wakefield. The amount is recorded as a long-term liability with a balance of \$29,779 at March 31, 2006.

Gogebic Range Solid Waste Management Authority

The Township has entered into a contract with the Gogebic Range Solid Waste Management Authority and the City of Wakefield, whereby the Township has agreed to pay 4.3% of the principal and interest due on \$100,000 of debt outstanding as of June 30, 2002. The principal payments are payable as follows:

2002 through 2005, inclusive	\$10,000
2006 through 2009, inclusive	\$15,000

An actual amortization schedule was unavailable for disclosure purposes. The Authority has applied for and was approved for a loan amount of \$476,000 through USDA-RDA. The loan proceeds will be used to retire the outstanding debt plus fund facility and equipment improvements. The Township has pledged its limited tax full faith and credit for prompt and timely payment of its share of obligation outstanding (not less than 4.3% nor more than 4.6%).

It is anticipated that the Authority will establish rates to meet their current and future operation and debt retirement expenditures. The Township has not participated in the past ten years in meeting the Authority obligations.

NOTE N – TAX TRIBUNAL CASES

The Township is involved in various pending Michigan Tax Tribunal cases. These cases are being held in abeyance and the state tax commission has been added as a party respondent. Currently, the Township cannot make an evaluation regarding the likelihood of an unfavorable outcome or an estimate of the amount of potential loss.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 141,498	\$ 141,198	\$ 154,361
Licenses and permits	1,500	1,500	1,512
Federal grants			7,274
State grants	27,000	27,000	28,602
Charges for services	4,000	4,000	3,504
Interest and rents	2,200	2,200	7,235
Other revenues	<u>3,600</u>	<u>3,600</u>	<u>1,315</u>
TOTAL REVENUES	\$ 179,798	\$ 179,498	\$ 203,803
Expenditures:			
Current:			
Legislative	\$ 9,763	\$ 8,613	\$ 7,505
General government	70,342	70,727	65,315
Public safety	14,350	13,915	9,855
Public works	48,100	48,100	42,481
Parks and recreation	3,450	3,450	3,450
Other functions	45,300	45,300	38,421
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u></u>
TOTAL EXPENDITURES	\$ 196,305	\$ 195,105	\$ 167,027
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (16,507)	\$ (15,607)	\$ 36,776
OTHER FINANCING USES - operating transfer out	<u></u>	<u>(50,000)</u>	<u>(50,000)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (16,507)	\$ (65,607)	\$ (13,224)
Fund balance at April 1, 2005	<u>329,733</u>	<u>329,733</u>	<u>329,733</u>
FUND BALANCE AT MARCH 31, 2006	<u>\$ 313,226</u>	<u>\$ 264,126</u>	<u>\$ 316,509</u>

The accompanying notes are an integral part of the financial statements.

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

	Original Budget	Final Budget	Actual
Revenues:			
Interest and rents	\$ 775	\$ 775	\$ 436
Other revenues			666
TOTAL REVENUES	\$ 775	\$ 775	\$ 1,102
Expenditures:			
Current - economic development	\$ 1,775	\$ 1,775	\$ 2,141
Debt service:			
Principal		50,000	50,218
Interest		7,500	8,032
TOTAL EXPENDITURES	\$ 1,775	\$ 59,275	\$ 60,391
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (1,000)	\$ (58,500)	\$ (59,289)
OTHER FINANCING SOURCES			
Operating transfer in	\$ 1,000	\$ 51,000	\$ 50,000
Proceeds from sale of land			2,000
	\$ 1,000	\$ 51,000	\$ 52,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 0	\$ (7,500)	\$ (7,289)
Fund balance at April 1, 2005	38,035	38,035	38,035
FUND BALANCE AT MARCH 31, 2006	\$ 38,035	\$ 30,535	\$ 30,746

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 119,198	\$ 127,015	\$ 7,817
Delinquent property taxes		1,668	1,668
Payment in lieu of tax		2,151	2,151
Commercial forest reserve	10,000	9,945	(55)
Swamp tax	2,000	2,087	87
Property tax administrative fee	<u>10,000</u>	<u>11,495</u>	<u>1,495</u>
	\$ 141,198	\$ 154,361	\$ 13,163
Licenses and permits	1,500	1,512	12
Federal grant - National Forest		7,274	7,274
State grants:			
State revenue sharing	\$ 25,000	\$ 25,205	\$ 205
Metro Authority - P.A. 48 of 2002	<u>2,000</u>	<u>3,397</u>	<u>1,397</u>
	\$ 27,000	\$ 28,602	\$ 1,602
Charges for services - summer tax collection	4,000	3,504	(496)
Interest and rents:			
Interest earned	\$ 2,200	\$ 6,810	\$ 4,610
Rents		<u>425</u>	<u>425</u>
	\$ 2,200	\$ 7,235	\$ 5,035
Other revenues:			
Reimbursements	\$ 3,600	\$ 1,095	\$ (2,505)
Miscellaneous		<u>220</u>	<u>220</u>
	<u>\$ 3,600</u>	<u>\$ 1,315</u>	<u>\$ (2,285)</u>
TOTAL REVENUES	<u>\$ 179,498</u>	<u>\$ 203,803</u>	<u>\$ 24,305</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

	Expenditures		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries	\$ 3,463	\$ 3,030	\$ 433
Per diem	2,000	1,352	648
Office supplies	200	212	(12)
Auto expense	400	181	219
Printing and publications	300	195	105
Miscellaneous	200	184	16
Dues and memberships	1,000	704	296
Contributions	<u>1,050</u>	<u>1,647</u>	<u>(597)</u>
TOTAL LEGISLATIVE	\$ 8,613	\$ 7,505	\$ 1,108
GENERAL GOVERNMENT			
Supervisor:			
Salary	\$ 7,494	\$ 7,494	
Per diem	1,200	920	\$ 280
Office supplies	50	91	(41)
Auto expense	1,050	1,050	
Miscellaneous	<u>50</u>	<u>8</u>	<u>42</u>
	\$ 9,844	\$ 9,563	\$ 281
Election:			
Salaries	\$ 885	\$ 659	\$ 226
Office supplies	100	4	96
Auto expense			
Printing and publications		319	(319)
Miscellaneous	<u>75</u>	<u>73</u>	<u>2</u>
	\$ 1,060	\$ 1,055	\$ 5
Attorney - contracted services	500	213	287
Assessor:			
Office supplies	\$ 600	\$ 510	\$ 90
Contracted services	<u>7,769</u>	<u>7,769</u>	
	\$ 8,369	\$ 8,279	\$ 90

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	Expenditures		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Clerk:			
Salary	\$ 9,682	\$ 9,682	
Per diem	600	640	\$ (40)
Deputy salary	500	80	420
Office supplies	1,000	1,039	(39)
Professional fees	2,500	2,025	475
Auto expense	1,675	1,704	(29)
Education		462	(462)
Miscellaneous	<u>100</u>	<u>136</u>	<u>(36)</u>
	\$ 16,057	\$ 15,768	\$ 289
Board of review:			
Salaries	\$ 1,300	\$ 945	\$ 355
Office supplies	50		50
Auto expense	50		50
Education	100		100
Miscellaneous	<u>100</u>	<u>29</u>	<u>71</u>
	\$ 1,600	\$ 974	\$ 626
Treasurer:			
Salaries	\$ 9,682	\$ 9,682	
Per diem	500	360	\$ 140
Deputy salary	500		500
Office supplies	2,000	1,818	182
Auto expense	1,675	1,707	(32)
Printing and publishing	2,500	2,232	268
Insurance	400		400
Miscellaneous	<u>100</u>	<u>111</u>	<u>(11)</u>
	\$ 17,357	\$ 15,910	\$ 1,447
Town hall and property:			
Salaries	\$ 1,800	\$ 2,233	\$ (433)
Per diem	400	200	200
Supplies	100	90	10
Auto expense		741	(741)
Heating fuel	5,000	2,817	2,183
Contracted services	1,000	1,409	(409)
Public utilities	1,500	1,517	(17)
Repairs and maintenance	1,500	296	1,204
Miscellaneous	<u>390</u>		<u>390</u>
	\$ 11,690	\$ 9,303	\$ 2,387

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Cemetery - contracted services	<u>4,250</u>	<u>4,250</u>	
TOTAL GENERAL GOVERNMENT	\$ 70,727	\$ 65,315	\$ 5,412
PUBLIC SAFETY			
Fire protection - contracted services	\$ 6,900	\$ 6,900	
Zoning board:			
Salaries	\$ 450	\$ 175	\$ 275
Per diem	500	440	60
Supplies	850	93	757
Contracted services:			
Administrative	2,000	900	1,100
Inspections	2,500	797	1,703
Auto expense	500	235	265
Printing and publishing	50		50
Miscellaneous	50		50
Education	<u>115</u>	<u>315</u>	<u>(200)</u>
	<u>\$ 7,015</u>	<u>\$ 2,955</u>	<u>\$ 4,060</u>
TOTAL PUBLIC SAFETY	\$ 13,915	\$ 9,855	\$ 4,060
PUBLIC WORKS			
Highways and streets - construction and maintenance	\$ 600		\$ 600
Street lighting	17,500	\$ 14,056	3,444
Solid waste collections:			
Contracted services	<u>30,000</u>	<u>28,425</u>	<u>1,575</u>
TOTAL PUBLIC WORKS	\$ 48,100	\$ 42,481	\$ 5,619
PARKS AND RECREATION			
Parks - contracted services	\$ 1,330	\$ 1,330	
Library - contracted services	<u>2,120</u>	<u>2,120</u>	
TOTAL PARKS AND RECREATION	\$ 3,450	\$ 3,450	\$ 0

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
OTHER FUNCTIONS			
Veterans council	\$ 300	\$ 300	
Insurance	41,000	33,561	\$ 7,439
Payroll taxes	<u>4,000</u>	<u>4,560</u>	<u>(560)</u>
TOTAL OTHER FUNCTIONS	\$ 45,300	\$ 38,421	\$ 6,879
CAPITAL OUTLAY	<u>5,000</u>		<u>5,000</u>
TOTAL EXPENDITURES	<u>\$ 195,105</u>	<u>\$ 167,027</u>	<u>\$ 28,078</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING BALANCE SHEETS - FIDUCIARY FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2006

	Trust and Agency Fund	Tax Collection Fund	Totals
ASSETS			
Cash	\$ 542	\$ 54,149	\$ 54,691
LIABILITIES			
Liabilities:			
Due General Fund		\$ 5,076	\$ 5,076
Due State of Michigan	\$ 542	32,777	33,319
Due Gogebic County		10,549	10,549
Due to schools		5,747	5,747
	\$ 542	\$ 54,149	\$ 54,691

The accompanying notes are an integral part of the financial statements

STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	Trust and Agency		
	Balance at April 1, 2005	Additions	Deductions
			Balance at March 31, 2006
ASSETS			
Cash	\$ 367	\$ 14,143	\$ 13,968
			\$ 542
LIABILITIES			
Liabilities:			
Due General Fund	\$ 85		\$ 85
Due Federal government		\$ 12,522	12,522
Due State of Michigan	282	1,621	1,361
Due Gogebic County			
Due to schools			
Due to others			
	\$ 367	\$ 14,143	\$ 13,968
			\$ 542

The accompanying notes are an integral part of the financial statements.

AND LIABILITIES - FIDUCIARY FUNDS

WAKEFIELD, MICHIGAN

March 31, 2006

Tax Collection Fund			
Balance at April 1, 2005	Additions	Deductions	Balance at March 31, 2006
<u>\$ 61,191</u>	<u>\$ 1,273,350</u>	<u>\$ 1,280,392</u>	<u>\$ 54,149</u>
\$ 5,076	\$ 186,971	\$ 186,971	\$ 5,076
37,583	31,624	36,430	32,777
11,915	499,185	500,551	10,549
6,617	553,368	554,238	5,747
	<u>2,202</u>	<u>2,202</u>	
<u>\$ 61,191</u>	<u>\$ 1,273,350</u>	<u>\$ 1,280,392</u>	<u>\$ 54,149</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
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REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board
Township of Wakefield
Wakefield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Wakefield as of and for the year ended March 31, 2006, which collectively comprise the Township of Wakefield's basic financial statements and have issued our report thereon dated July 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Wakefield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township of Wakefield's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 06-1 and 06-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Wakefield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Mahala & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 31, 2006

SCHEDULE OF FINDINGS
TOWNSHIP OF WAKEFIELD
Year ended March 31, 2006

Reportable Condition:

(06-1) Uniform Chart of Accounts for Counties and Local Units of Government in Michigan

Local units of governments, which include Townships, are required to have a general ledger accounting system that corresponds to the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan, which was developed under the authority of PA2 of 1968. Several of the Township's general ledger accounts are not in compliance therewith.

We recommend the Township obtain the Uniform Chart of Accounts from the State of Michigan and update the general ledger system accordingly.

Township officials have agreed to do so.

A similar finding was noted for the March 31, 2005 audit.

(06-2) Auto Allowance for Township Officials

Township officials received a monthly automobile allowance without substantiating the amount of mileage incurred on Township business.

We recommend the Township discontinue the monthly auto allowance payments and require reimbursements for personal use of automobiles be made only after the expense has been incurred, proper documentation is submitted, the documentation has been reviewed and the Board approves for payment.

Township officials have agreed to do so.